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1. The amount of the contribution shall be determined by the fair market value of the property contributed, less the amount of any cash or other property received by the donee in exchange therefor.

As a result of using the direct cost method the contractor could be reimbursed for an out-of-pocket expense but not for the actual \$100. Under this method Dr. Heath would be reimbursed for the out-of-pocket expenses incurred by him in the experiments but not necessarily to produce the report. As this full amount would be completely reimbursed, Dr. [redacted] would not have to report it on his Federal income tax return. This method is not recommended because it ties us in writing too closely with the actual experimentation to be done by Dr. [redacted]. If something should happen as a result of his performing experiments on human beings, the contractor would be liable for the entire cost of the experimentation and as presently written, the contractor would be liable for the cost only if it is proven that the contractor is liable for the cost of the experiments. The third method is the most recommended.

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expensive. It would appear to be considered to be a waste of time to him.

Headquarters would also like to know where [redacted] University fits in the picture. It is our understanding that the contract would be drawn directly between CIA and Dr. [redacted] and that the Office of [redacted] would not even be notified. The message from the GO writer indicates some sort of a role which [redacted] University is to play in this arrangement. We would like it clarified as to how to proceed with any necessary revision of the contract because of [redacted] participation therein.

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